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T.R.A. DOCKET ROOM



Paul T. Diskin
Manager
Rates & Regulation

December 1, 2004

Randall L. Nelson, City Attorney
City of Chattanooga
Nelson, McMahan & Noblett
801 Broad Street, Suite 400
Chattanooga, TN 37402

**RE: Interrogatories and Requests for Production of Documents by the City of Chattanooga (First Set) To Tennessee-American Water Company
Rate Case No. 04-00288**

Dear Mr. Nelson:

Enclosed is a copy of the above Interrogatories #1, 3, and 4 for Tennessee American's petition to increase rates which was filed on September 10, 2004. Question #2 will follow shortly

Sincerely,

A handwritten signature in black ink, appearing to read "Paul T. Diskin".

Paul T. Diskin

Enclosures

Cc

M Miller w/enclosures
S. Dillon w/enclosures
T Phillips w/enclosures
D Grimes w/enclosures
S. Dillon w/enclosures

Pennsylvania American Water

800 West Hersheypark Drive
Hershey, PA 17033
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Of Documents by the Staff of the
City of Chattanooga (First Set)
To Tennessee-American Water Company
Rate Case No. 04-00288**

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1 Q. WHY IS THE COMPANY EXPERIENCING AN INCREASE IN PENSION COSTS? PLEASE PRODUCE COPIES OF ACTUARY REPORTS FOR ALL YEARS SUBSEQUENT TO 1999 (DISKIN, PG 12; WATSON, PG 5)

A. The increase in costs is due to the contribution amounts that the Company is required to make under law. No contributions were required in the Actuarial Valuation Reports issued in January of 2000 and 2001 due to a sufficient return on plan assets. A negative return on the plan assets was experienced in 2002 resulting in contributions to the plan beginning in 2003. The attached CD contains the reports for the years 2000 through 2003.

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- 3 Q. WHAT THIRD PARTY ENTITY WILL DETERMINE ELIGIBILITY FOR
THE TWENTY-FIVE PERCENT SERVICE CHARGE DISCOUNT?
- A The Company has not determined the third party entity that will be used to
determine eligibility.

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4. Q. PROVIDE COPIES OF ENGINEERING STUDIES OR OTHER DOCUMENTATION OF THE NEED FOR THE MAJOR CAPITAL IMPROVEMENTS IDENTIFIED ON PAGES THREE AND FOUR OF MONTY L. BISHOP'S TESTIMONY.
- A. The reports will be made available for review in the Company's offices in Chattanooga